



**MAYOR JERRY SANDERS
CITY OF SAN DIEGO
STATE OF THE CITY
JANUARY 14, 2009**

Good evening.

Thank you, President Hueso.

I'm proud to be here tonight, with this new City Council and our new city attorney. I look forward to working with this team in the days ahead.

First let me introduce my wife, Rana Sampson, my two daughters, Lisa and Jamie, and my sister Jeannie and her husband, Jim Duncan. Thank you all for your support.

And let me welcome the leaders of our military community, representing our men and women overseas. Thank you for keeping us secure.

Three years have passed since I first had this privilege, as your mayor, to report on the state of our city.

You'll recall it was a time of turmoil and uncertainty. Years of poor planning and misplaced priorities had left our city with a legacy of debt and disorganization, straining our faith in the basic integrity of this government.

Yet, as I considered the magnitude of that challenge, I knew it was no match for the greatness of this city, or for the determination and courage of its people.

As grim as those times were, my assessment that night was hopeful, yet pragmatic.

We knew we had a steep mountain to climb.

In the years since, we've taken huge strides to rebuild city government's ethical culture, reform its financial structures, and restore stability for our troubled pension and benefits system.

Along the way, we've become experts at streamlining government -- a skill that's in great demand today -- and at making our budget processes understandable and accountable to the public.

We've proved we can make tough decisions -- and that we can tell the people the truth, even when it hurts.

By putting substance before showmanship and by pursuing meaningful and lasting reforms, we've restored our credibility -- and won back the confidence of Wall Street.

And through tragedy and adversity, we've never lost sight of our most important goal -- regaining the trust of the people, a trust our predecessors so brazenly squandered.

So I begin my fourth State of the City address with great pride in how far we've come.

But also with a clear understanding of the job ahead.

Despite our hard work and progress, we are not yet at the summit of that mountain.

There still remains a steep climb ahead of us.

And this city will again have the leadership it deserves to see it through difficult times.

Facing Reality

The road before us is steep despite our record of achieving greater efficiency in our operations -- efficiencies that have saved us millions.

It is steep despite our success in reducing our workforce by more than 870 positions -- reductions made carefully so core services were unharmed.

It is steep despite the reforms we've made to our benefits program -- reforms that restructured future employees' pensions so we respect the work they do and the limits of our resources.

The problems we face now are no longer just the ones left us by our predecessors.

We are grappling with a global financial crisis whose effects are felt across our land -- in cities and statehouses, at businesses and non-profits, by retired couples and young families.

This is a historic challenge. It demands strong leadership. As your mayor, I will keep our focus on the fundamental role of government, and on fortifying our economy to create jobs.

I intend to lead this city by crafting thoughtful, long-term solutions to our problems. They may not be easy at first, but they will ensure our strength and stability down the road.

I'll work with anyone who shares these goals, and ask the others to step out of our way.

If you take nothing else away from this evening, hear this: There is no role here for the forces of obstruction and denial, or for selfish posturing by those who think they do their share by suggesting sacrifices others can make.

Their practice of postponing our day of reckoning has only succeeded in digging us into deeper holes each year.

We will meet this crisis with tough fiscal discipline, with honesty and transparency.

It's not enough to say we can't repeat the mistakes of the past. We must confront the culture that made those mistakes possible -- that said it was OK not to care about the city as a whole, but to care only about your own little piece of it.

We must make a clean break from our past, so we can take ownership of our future.

For only by burying our differences and working together -- citizens, unions, the business community and city government -- can we emerge from this recession stronger than before, and with a higher standard of living than we've ever known.

We will do these things not just so we all can prosper -- but so we can rededicate ourselves to the principle that the city exists to serve the people.

Any discussion of our financial welfare begins, inevitably, with the ever-widening crater our annual contribution to the pension and benefits systems makes in our budget each year.

The size of those payments is the legacy of previous administrations, which recklessly underfunded the pension system so they could continue to expand popular programs and give out pay raises without accepting responsibility for those costs.

They gambled that a rising economy would cover their tracks. But it couldn't, even in good times.

Now recession has compounded their mistakes. It has shrunk our general-fund revenues even as it leads to still-larger pension payments to offset losses in the stock market.

When the recession hit home last year, we took painful steps to close a midyear deficit in our operating budget -- over the objections of those who won't accept the truth.

This year, an even larger deficit looms, Sacramento is more likely to hurt us than help us, and we'll again need to make painful decisions. That scenario could repeat itself, next year and the year after.

That's our reality. But it will not prevent us from moving forward.

The majority of San Diegans accept reality, and they're ready to respond with unselfish teamwork.

They know success is within our reach -- if we just work together.

Help from Our Employees

Much of what our city has accomplished over the past three years was made possible by the hard work and loyalty of our employees.

It wasn't always an easy time to work for the city, and yet our police officers continue to do their jobs with pride and dedication, and our crime rate continues to go down.

It hasn't been easy for our fire chief, but she has been recognized as among the best in the country.

Or for our landscape crews, yet they keep our parks green and flourishing while leading the city in water conservation.

Or for our librarians and recreation leaders, yet their facilities are thriving even as their budgets shrink and their responsibilities broaden.

And then there is our financial team. Working long hours under intense pressure, they have reclaimed order from chaos and cleared a five-year backlog of crucial audits in 18 months.

Because of their work, our bond ratings have shot up and, just yesterday, we conducted our first public bond offering in five years. It attracted \$157 million from Wall Street investors who believe, as I do, that San Diego is once again an honest partner and a sound investment.

Now, as we face an historic national economic crisis, we will once again look to our employees for help, knowing it won't be easy.

This year, we will sit down with all five of our public-employee unions to negotiate contracts.

We'll be seeking long-term solutions in our retirement benefits in a manner that balances the interests of employees and taxpayers, and brings our benefits into alignment with our economic reality.

It is not my intention to begin these negotiations in public, but tonight let me say this to our employees and the unions representing them:

You have seen tough times, and we understand that. Everyone is hurting.

But difficult times can bring perceived adversaries together, and I see much common ground between employees and taxpayers. Both want a fiscally stable city government that provides quality services.

Last year, working with our employee unions, we dramatically restructured the pensions that will be paid to new employees, creating a hybrid system with a 401(k).

Those reforms helped to bring costs under control.

I applaud our employees' willingness to give something back to this city. But still further cooperation is needed to finish these reforms.

At the same time, I caution that neither labor nor management can afford another impasse, because the cost of business as usual will be paid through service cuts and layoffs. Failure to craft a resolution covering retirement benefits will be detrimental to public employees and public services alike.

Another important way our employees can serve their city, and strengthen their job security, is by continuing to help us reform the way we do business.

Managed Competition

Two years ago, voters approved a ballot measure that allowed the city to compete out some city operations if private companies can produce real savings.

But before embarking on that mission, we had a duty to our employees to do everything we could to streamline city operations and make them competitive with the private sector.

The name we gave that effort was Business Process Re-engineering, and it has been a huge success, squeezing millions of dollars from city operations by working with employees to rethink their jobs.

I have always believed this is the best outcome for everyone -- making our departments so efficient they compare favorably with any private alternative.

This year, the stakes for our employees will be higher as we bring a Managed Competition Guide to the City Council. That guide will set the stage for a competition in the form of open bidding and a free-market comparison of the costs of city services.

I believe our employees can win most, if not all of these competitions, by reducing costs to private-sector levels.

A sad reality is resistance to city reforms is often driven by fear. But the truth is they are the surest path to a stable and secure workplace.

Help from the Public

The cooperation we need to solve our financial problems must come from all of us, and perhaps from no single group as much as the public.

With each round of budget cuts we are reminded how attached San Diegans are to the services we provide from our General Fund -- our libraries, our parks and our recreation facilities, trash pickup, street repair, and public safety.

These are services San Diegans not only enjoy, but expect and demand.

What draws so many people here is our quality of life. Yet many view our quality of life as a birthright, rather than something that needs to be sustained through determination and even sacrifice.

The challenge we face today is maintaining services established in an era when labor costs were low and our tax stream was not being diverted by the state or siphoned off by expensive mandates and pension payments.

Take a look at just one aspect of the quality of life that past generations envisioned for us -- our phenomenal park system:

It began, famously, with Balboa Park, which is larger than New York's Central Park and home to 15,000 trees and a hundred civic organizations.

Not satisfied with more than 12 miles of beaches, our city created Mission Bay Park, the largest man-made aquatic park in the world.

More recently we added Mission Trails Regional Park, one of the biggest urban parks in the country.

Including neighborhood parks and open spaces, our park system exceeds 39,000 acres -- that's more than the size of the entire cities of Chula Vista, Lemon Grove and Del Mar combined.

To which we have added trails and campgrounds, playgrounds and ball fields.

The public expects this park system to keep growing -- even with less money available for it, and with fewer employees keeping it safe and clean.

In fact, their hard work may as well be invisible to many of us.

That point was driven home recently when the city decided to remove fire pits from our beaches and shoreline parks. Some members of the public were shocked to learn that it costs money to maintain those 186 fire pits.

I guess it never dawned on them that -- after they'd built their bonfire, toasted their marshmallows and returned home -- city workers with heavy equipment cleaned out the ash and debris so the fire pits were ready for the next users.

We take for granted so much that our city does.

Yet we also expect it to keep doing more.

Recently I discussed this with a longtime city worker, a code compliance officer who deals with overgrown trees that pose a public hazard.

Citizens phone him all the time, wanting a city arborist to come trim a neighbor's tree that encroaches on their property.

The first question the callers are asked is, "Have you talked to your neighbor about this?"

The response, almost always, is, "No."

As we enter another year of scaling back services, we cannot be a city of strangers.

We must be allies, stepping up together to meet the challenges on our horizon.

Volunteering

In the coming months, I'll be calling on San Diegans from every walk of life to come forward to help their community -- to lend their energy and experience to taking care of problems close to home.

There are thousands of unsung heroes in this city who volunteer their time, their labor and their expertise.

People who, when they see trash on a vacant lot, don't call City Hall to demand action -- they organize a community cleanup.

These are people who help with our parks programs, who beautify their communities, who give tours and greet visitors and assist at sports activities and special events.

When they see a need, they don't assume the worst about their city -- they do their best to make things better.

Our most visible volunteers are the RSVP corps -- the Retired Senior Volunteer Patrol. More than 400 strong, they assist our police department in countless functions, from checking on the homes of vacationing families to directing traffic at accident scenes.

One new assignment they are taking on, at my request, is to help protect our neighborhoods from harm during this national housing crisis.

Some foresee a second round of home foreclosures this year, and while the federal government restores order to the lending and housing industries, we must be diligent to ensure San Diego's housing market emerges from this trauma intact.

Under my initiative, RSVP officers will monitor the condition of foreclosed and abandoned homes, and work with our new city attorney and his Code Compliance Division to hold lenders accountable for maintaining these properties so they don't degrade our neighborhoods.

The RSVP program succeeds not just because it attracts quality people, but also because they have been warmly welcomed by the Police Officers Association, which rightly saw the program as an asset, not a threat.

This year I hope to see a doubling of our volunteer ranks, and so I encourage other employees to follow the POA's lead and encourage citizens who want to enhance their community through volunteer service.

I know our new city attorney and this new City Council will join me in welcoming the public's help in our pursuit of the public good.

Revenues and Expenditures

In times such as these, we all must be willing to look for solutions on both sides of the balance sheet.

And so we will be making proposals to further scale back the size of city government.

But after three years of deep cuts, we have fewer opportunities for significant savings.

One area of our city where reorganization is due is in our outside redevelopment agencies, the Southeast Economic Development Corporation and the Centre City Development Corporation, which have recently undergone upheavals in their top management.

Those changes in leadership were necessary, but we must be careful not to draw the wrong lessons from them. The work of redevelopment agencies has been vital to the progress of this city, and it is not done yet.

In the coming year, I will bring to the City Council a plan that protects taxpayers and strengthens city oversight of redevelopment activities. This is not a repudiation of our redevelopment programs, but rather a re-commitment to make them the most effective in the country.

We have also taken steps to partner with CCDC so the success of our downtown redevelopment efforts will pay off even more significantly in supplementing city revenues. The time has come for CCDC to take this more active role, and they are stepping to the plate to meet that obligation.

In the coming year we will be looking again at every department for new efficiencies and opportunities to enhance service without adding cost.

But we must also think about the revenue side of the equation in our search for long-term solutions that will not only speed our recovery from this recession, but provide stability for the city going forward.

One area, much discussed during the last round of budget cuts, was raising the fees the public pays for city services.

As requested by the City Council, we are finalizing a comprehensive fee policy that attempts to ensure the city recovers its full costs from those who use its specialized services.

Asking the public for more money -- whether it's extra coins for a parking meter or a few dollars more to dump trash in a landfill -- is almost always an occasion for controversy.

I can't guarantee that some people won't gripe about it. But I can guarantee that the fees we receive will be used only to recover the costs of the programs they go toward.

And I will continue devoting my energies to getting the most from every dollar the city receives in revenues, whatever their source.

This year we will build on past success by vigorously pursuing our rightful share of the White House stimulus package for public works. Transportation infrastructure continues to be our priority, and our case for those funds is excellent. We've already benefited from federal funds to help first-time homeowners purchase foreclosed houses.

But we cannot depend on Washington to solve our problems. I've always believed that the best way to fortify our economy, and to stabilize our revenues, is with programs that help our citizens obtain the caliber of jobs that contribute to our tax base.

Our economic development strategies have always been tailored around our strongest selling points -- a well-educated workforce, geographic assets like our waterfront and our proximity to Mexico, and our growing significance as a global center of research and innovation.

This year, a focus of my administration will be moving forward an expansion of the San Diego Convention Center. This important work will add to the value of one of the greatest economic generators any city has ever known.

As conventioners arrive here, the first thing they see is Lindbergh Field. This year we will roll out the Destination Lindbergh project, with a new inter-modal center that will bring efficiency and excitement to the harbor by redesigning our transportation network.

This year, you'll also see our state and federal lobbying pay off as a long-needed expansion of the border crossing at San Ysidro begins, bringing construction of new lanes and a new freeway to the South Bay.

Last month, we also received the presidential permit that will enable us to build a third border crossing on Otay Mesa. These projects will speed the movement of goods across the border, creating jobs and economic activity here and in Mexico.

We recognize the contributions that the Chargers and the Spanos family have brought to our economy and to our civic pride, and I stand ready to help ensure that professional football has a bright future in our region.

With the spirit we saw in San Diego over the past few weeks, it's obvious the Chargers are more than a football team, they're a big part of our community morale.

Working with a volunteer group of civic leaders – we call it an economic roundtable -- I have identified areas that will be the focus of our job-creation strategy in the years ahead.

They include attracting new employers, streamlining our permits and planning, investing in infrastructure and convincing the designers of the federal stimulus package that we deserve our fair share.

Each of these strategies is designed to do one thing – expand our job base to build a prosperity we all can enjoy.

And what I find most exciting is the prospect that San Diego can emulate its success as a center for biotechnology and wireless communications, and become a leader in the emerging technologies known as Clean Tech.

Clean Tech

We began laying the groundwork for San Diego to become a national center for clean technology nearly three years ago, with the creation of the industry group Clean Tech San Diego.

The beauty of clean technology, from our standpoint, goes beyond its potential to develop ways to combat global warming, enhance the water supply or reduce our consumption of energy.

Those are worthy goals, and we have yet another.

Clean technology will add strength and diversity to our economy -- and create jobs for San Diegans.

It will leverage our prized assets -- our workers, our world-renowned research institutions, and access to international ports. San Diego is unique in having all this to nourish an industry in its infancy.

And as President-elect Barack Obama promises to double production of renewable energy during his administration, San Diego has an additional advantage -- we are a recognized leader in sunshine.

For years, our blue skies have been the centerpiece of our tourism industry, drawing millions of visitors and their credit cards here every year.

In 2009, we plan to put our sunshine to work again, this time with an aggressive program that will propel San Diego to the forefront of the solar power movement.

This program, which we call San Diego CleanGeneration, will make the conversion to solar energy affordable to homeowners by financing the cost of installation and spreading it out over 20 years of property tax bills.

Skeptics of government programs will be pleased to learn that CleanGeneration won't cost the city a dime.

But it will become an economic engine for the city, creating clean, well-paying jobs in the solar-energy industry for manufacturers, retailers and installers.

We believe the market it creates will spur innovation and the same enterprising spirit that gave rise to our now-mighty biotech industry more than two decades ago.

This is a vision that's on the fast track and will pay dividends for San Diego for generations to come.

Water

As we discuss our economic future, remember that one natural resource San Diego was not blessed with is an adequate local source of drinking water.

We import nearly all of our water from Northern California and the Colorado River. For decades, their supply was steady and sufficient to our needs.

But now we have entered a perilous era in which drought and judicial rulings have significantly reduced the availability of raw water, potentially harming our economy and quality of life.

For the past year and a half, city officials have been urging San Diegans to prepare for this day by examining how we use water, changing wasteful behaviors and accepting our advice and help to make your homes more water-efficient.

City workers have led by example, reducing water use at our parks and buildings at more than twice the rate of the general public.

And while thousands of San Diegans have taken the message of conservation to heart, many ignored it, hoping to get a free ride on the conservation of their neighbors.

Time is running out. Each of us must accept responsibility for our own water use -- because the cost of doing anything less will soon be very real.

By this spring, we will most likely need to move to a Level 2 Water Emergency, in which conservation is mandatory and wasteful water practices are not just discouraged, but will have financial consequences.

As soon as this summer, our city's imported water allocation could be cut as much as 20 percent, meaning each customer – businesses and residents alike -- will have to cut back their own water consumption or face heavy penalties enforced through the billing process.

Every effort is being made to ensure mandatory water reductions are fair, and that they recognize conservation practices that have already been taken. Perhaps the surest measure of their fairness is that they'll make no one happy.

The city will continue to lead by example. Public fountains will fall silent and some green parks will go brown. But we will be there to assist anyone who needs help conserving.

Last year I convened two meetings of California mayors to give direction to Sacramento on long-term solutions – and for the first time we're seeing movement.

This year I will again be a leader in seeing that the state goes forward with one of those solutions – a series of canals to help move water through and around the Bay Delta and deliver it to Southern California.

But we cannot count on Sacramento to solve the immediate problem. Only we can do that.

Central Library

Even in times of adversity, cities can aspire to greatness, and do great things.

Anyone who cares about libraries knows we outgrew our Central Library decades ago, long before the new wave of residents arrived downtown.

Anyone who believes in libraries also knows their importance to a major city -- not as monuments to civic pride, but as doors to education and opportunity.

For years the city has had an admirable plan to build a new Central Library, using private donations, library grants and redevelopment revenues.

As recently as a month ago, however, I was doubtful of its chances for success.

The private-donation campaign had accomplished so much through the generosity of San Diegans, but more dollars were still needed, and the economy wasn't helping.

With the expiration date for a state library grant fast approaching, I didn't think anyone could pull a rabbit out of this hat.

Then the San Diego Unified School District came forward with a proposal to use two floors of the library as a 300-student high school.

This joint-use proposal may indeed be the rabbit I referred to.

But so far, we've only seen its ears.

The money offered by the school district -- when combined with the state grant we otherwise might lose -- has the potential to close our funding gap and move the project forward.

It is a concept that deserves a full and fair hearing. But it is an opportunity, not a done deal. First, we need to understand the true cost.

Our intention was always to build a new Central Library without using General Fund monies. Given the state of our General Fund, we cannot afford to change course, or take on responsibilities that will unduly burden future city budgets.

I am hopeful that a deal can be reached that protects city taxpayers while creating a downtown high school that is a model for the nation. After so many years of anticipation and hard work, San Diegans deserve a Central Library worthy of this city.

Conclusion

At the start of the evening, I said I approach this historic year with optimism, knowing that we are capable of rising to meet our challenges and do the hard work that's needed to carry us through tough times.

But the source of this optimism is more than my belief in San Diego and its residents.

It stems also from my own experience, as a father and a CEO, as a police officer and a police chief, and as a man who has tried, at every stage in his life, to make a difference.

Our problems are not much different than the problems of countless families as they cope with the effects of this recession -- stretching their budgets, worrying about their future, wondering if their children will know the same opportunities they knew.

Long before I became your mayor, I had to make tough decisions, sometimes in life-or-death situations.

So I bring a perspective that allows me to take in the larger view -- to know that however we apportion our library budget, or deploy our recreation staff, or decide what to build, we're not talking life, or death.

We're talking about our quality of life.

And as I said when I swore my oath of office, few people who walk this earth have known a quality of life like ours.

On our worst day, those of us who live in San Diego are better off than so many others.

We should always remember that.

My optimism has still another source, and that is the amazing progress this city has made in just three years.

It fills me with confidence in what we can do with four more.

As I say, I've given three of these State of the City addresses already. After tonight, I'll have three left.

So I'm at something of a midpoint in my tenure as your mayor -- and at the middle of any journey there can be a tendency to lose sight of where you began, and where you are headed.

Not me. I see this moment as if from a high vantage point -- just as when you cross the bridge that spans San Diego Bay and, at its height, can survey the view in every direction.

I see how far we have come in three years, so I know how far we can push ahead.

Working closely with this City Council, which has my respect and confidence, I intend to live up to the trust the people have placed in me to make sure we emerge from this difficult time better off than before.

Because each day brings us closer to becoming the kind of city we want our children to grow up in.

A city with a new spirit of cooperation and responsibility.

A city built on an economy that is durable and diverse – and where everyone shares in our prosperity.

And a city that not only enjoys the highest quality of life, but safeguards it for the next generation.

Together, we can become that city, and look back with pride on the work we began here tonight.

Thank you, and good night.